

City of Seattle

Impact Fees 101



September 10, 2014

Henderson,
Young &
Company

Definition of Impact Fee

One time payment...

... by new development ...

... for capital costs of facilities ...

... needed by new development

Types of Impact Fees

- 1. Transportation (streets and roads)**
- 2. Parks, rec facilities & open space**
- 3. Fire**
- 4. Schools**

What Can Impact Fees Pay For?

- ***CAN PAY for “system improvements” in adopted CIP***
- ***NOT PAY for “project improvements” (i.e., local streets for the development)***
- ***NOT PAY for repair, replacement, renovation***

Rules for Impact Fees

1. Fair Share

= growth's share, not existing deficiency

2. Nexus of Benefit

= fee proportional to impacts

3. Credits

= no double charging

4. “Cannot rely solely on impact fees”

= cannot charge 100% of growth's costs

Basis of an Impact Fee

An Example

Total cost	\$ 111 million
Cost eligible for impact fees	\$ 88 million
# Growth trips	18,275
Cost per trip	\$ 4,815
Growth's share of cost	\$ 47 million
City's share of cost	\$ 64 million

Reasons to Charge Impact Fees

- **Policy: growth fixes problems it creates so existing taxpayers don't pay to fix growth's problems**
- **Quality of life: public facilities keep up with growth**
- **Revenue: for needed public facilities**

Alternatives to Impact Fees

1. Raise taxes

**= growth does not pay for its impacts,
taxpayers pay for growth**

2. Reduce level of service

**= less infrastructure, more congestion,
quality of life reduced**

Myths & Facts About Development & Impact Fees

- **Growth pays for itself through new taxes.**
- **Impact fees reduce burden on existing residents and businesses.**
- **Impact fees can solve any infrastructure problem.**
- **Impact fees are paid by developers and builders.**
- **Impact fees stop development.**

Myths & Facts About Development & Impact Fees

- **Growth pays for itself through new taxes = myth**
- **Impact fees reduce burden on existing residents and businesses = fact**
- **Impact fees can solve any infrastructure problem = myth**
- **Impact fees are paid by developers and builders = myth**
- **Impact fees stop development = myth**

What Are the Effects of Impact Fees on ...

- **Affordability: fees are small % of total cost.**
- **Competitiveness: most area cities charge impact fees.**
- **Development: hasn't moved away from cities with impact fees.**
- **Fairness & Equity: growth pays a share; reduced burden on existing residents and businesses**

End of Presentation

Next Presenter